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ESG Factors compliance is our driver for the future?



Attention to social factors and the relative responsibility of all of us towards the environmental balance has been calling for increasing attention since some years ago. Today it seems to be at the centre of worldwide interest. The approaches that guide the analysis of this reading of relationships within the planet are fundamentally attributable to the changed weight assigned to the social or economic factors. It remains to check how much it is a fashion, imitation or compulsory behaviour (the supposed greenwashing). In any case, it involves strategy changes and millionaire investments together with a new communication policy.



My personal attention certainly has economic structure and foundation and intends to demonstrate how it is possible, perhaps necessary and probably fruitful in the long term, to combine two terms such as good and profits, through the rational use of available resources. To correctly introduce the concepts that constitute the common thread of any analysis in the field, we keep in mind that the traditional vision of the economy can coexist with the full acceptance of the concept of socially responsible investments (SRI), which is declined through attention to factors widely referred to as ESG. The acronym summarizes the initials of Environmental, Social and Governance and is used in the economic and financial field to indicate the activities related to the SRIs that still pursue the typical objectives of financial management, taking into account aspects of the ESG nature of economic activities. The reason for this attention is also purely economic, considering that the development of volumes of activity is particularly relevant in recent quarters and involves the overall world of asset management, resulting also an element of a positive image, indispensable to what happens in other economic sectors, among other fields of investments of portfolios, compliant with ESG principles of SRI. A complete approach, often defined as holistic, goes beyond the typical visions of a few years ago when traditional finance invested in ethical economic or finance areas managed the revenues obtained by investing in a traditional economy in an ethical way.



The economy itself – *oikos-nomos* in Greek – is a science born to better manage the scarce resources of the earth. The SRI/ESG attention is readable then as a return to the origins, motivated by the perception of the accentuation of the problem of scarcity, suggested by sources external to the economic world, almost fifty years ago and today made its own by strong components of the economic system. A useful path to be reread to better interpret the weight and quality of the attention dedicated today, finding a multivariate motivation, an indispensable element for understanding the concentration of capital that gravitates around ESG factors. However, it is also useful to recall some characteristic profiles in recent years, which help to better understand the current conditions.



The first of a personal nature, saw me, as President of a company dedicated to the marketing of ionizers for closed spaces and locations. At a conference, someone asked me what it was convenient to invest in companies dedicated to private ecology. I replied that it represented a profitable investment opportunity because it identified a new and growing need, capable of generating constant profits. It was therefore not, certainly not fully perceived, only an ecological, clean investment, in step with a social trend, but an economic need. An advance, not conscious, of the concept of impact investing, combining financial results with a positive performance from an environmental and social point of view. The answer generated attention, indeed perhaps surprise, because it was pronounced at that time, by a subject dedicated to financial activity, then inspired by the logic of profit in the short term and pushed by speculation. The second takes into consideration two successful movies “Wall Street” (1987) and “Disclosure” (1994) that illustrate, in a usefully oxymoronically way, the negative characteristics of the economic world and the financial system that have certainly helped to generate attention to the factors deepened in this note.



From a close vision of the two movies or from the reading of their screenplays, both supported by adequate economic backing, the socially irresponsible factors and the antithetical impact to ESG principles can be summarized as follows:

- **abuse of the market**, by winning competitors

- **stock manipulation**, as a crime favoured by information misalignment G
- **environment**, underestimated in strategic choices E
- **investments** as a dispersion of resources E
- **minority shareholder**, unprotected S
- **budget and layoffs**, related to inadequate results G&S
- **customers**, not considered as a key stakeholder S
- **finance** for finance and not for economic development S
- **governance**, customized and without controls G
- **insider trading**, as a crime of convenience S
- **conflicting** private and personal interests in corporate governance G
- **shorttermism**, in the logic of investment S
- **commercial cold phone calls**, as a business tactic S

Originating from a condition so described, it is perhaps easier to understand the different attention that has come to be generated in the twenty-first century. However, most of the negative behaviours emphasized in the list, concerned the factors S and G and minus those E evaluated at that moment, as then the most distant from the interest even of the less economic stakeholders. Today, times are changing quickly and E, such as climate change, natural resources adequacy, deforesting and pollution, for instance, are part of strategies and governance of enterprises.



United Nations Organization, UE Commission and Parliament, G10 and G20, World Bank and OCSE and several of the Governments of Developed Countries are working hard in considering ESG principles for SRI investment in their choices. The agreements are not easy to be signed and the deadlines appointed are around 2030 and 2050. Will these dates be late for the needed condition of 8 billion inhabitants?

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